Ontario
Infrastructure Ontario

Infrastructure Ontario
2008/09 Annual Report

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Message from the Chair

On behalf of the Board of Directors, it gives me great pleasure to present Infrastructure Ontario's 2008-2009 Annual Report. This report outlines the agency's business performance and operational highlights, and includes audited financial statements for the fiscal year that ended March 31, 2009.

Infrastructure Ontario continues to deliver on its commitment to the Province and all Ontarians. We made progress on all of our infrastructure projects delivered through Alternative Financing and Procurement. This past year, construction began on nine projects, bringing the total under construction to 25. A further nine reached commercial or financial close, including the Niagara Health System project, our first Design-Build-Finance-Maintain hospital, and 22 were at different stages of procurement.

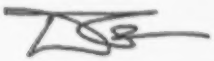
The Infrastructure Ontario Loan Program reached the threshold of a significant milestone, with $1.98 billion advanced to clients in the broader public sector, an increase of $366 million from the previous year. We started relationships with clients in new sectors, including social and affordable housing providers and local service boards. Thanks to financing from Infrastructure Ontario, work advanced on 180 infrastructure projects in communities across the province.

The Board's mandate is to ensure that major infrastructure projects deliver value for money, that risks are managed effectively, and that the highest standards of public service are upheld. I am proud of the work we have done and I look forward to new challenges in 2009-2010.

This past year, Felix Chee retired from Infrastructure Ontario's Board, and we welcomed Tony Salerno. Infrastructure Ontario gained much from Felix's financial acuity and dedication: he will be missed. In Tony, we have added an individual with a wide range of experience in both the private and public sectors.

You will notice that this year's Annual Report expands on the information provided on our AFP projects. This illustrates our continuing commitment to enhancing public disclosure and ensures that the principle of transparency is maintained throughout all of our efforts.

In closing, I would like to thank David Livingston and all the staff at Infrastructure Ontario for their dedication and hard work over the past year.



D. Anthony Ross
Chair

Message from the CEO

In 2008-09, Infrastructure Ontario once again effectively delivered on its mandate to make projects happen. Despite the unprecedented challenges we faced in the financial markets, Infrastructure Ontario continued to successfully reach important procurement and construction milestones on its AFP projects, and deliver financing to clients through the Infrastructure Ontario Loan Program.

Impact of Financial Market Conditions

While turbulence in financial markets produced delays in reaching financial close on some deals, it is important to stress that Infrastructure Ontario continued to close projects throughout the year, and that all of our projects remain on schedule.

While it had become apparent that many foreign banks are retrenching and reserving most of their funds for their strongest (and often, local) clients, domestic banks and insurance companies have generally stayed the course and continue to show interest in our projects.

Market Capacity

Infrastructure Ontario conducted a wide-ranging survey of general contractors to assess market capacity in the short and medium term. In its findings, the survey noted that contractors are most concerned about the impact of the global financial situation and how it impacts their ability to do business. It also found that Infrastructure Ontario's current approach to project staging works well, and should be continued as new projects are assigned. It concluded that AFP projects continue to generate significant interest in the bidding community, and are drawing new market participants from within Canada – where we have established a market outreach program – and around the globe.

Project Delivery

By March 31, 2009, Infrastructure Ontario had brought nearly three dozen projects to market, with a capital value of more than $9.7 billion. We also received our first assignments in the information technology and transportation sectors. The projects – Ontario's first diabetes registry and a new border link, the Windsor Essex Parkway – demonstrate the government's commitment to infrastructure development.

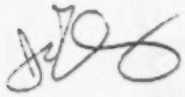
Rising to our biggest challenge, we reached financial close on the Niagara Health System Hospital. The contract will deliver the design, construction, financing and maintenance for thirty years, and provide a 900,000 square foot hospital that, among other services, provides cancer care for people in the Niagara Region.

Loan Program

With more than $1.9 billion advanced to support more than 850 projects, Infrastructure Ontario's Loan Program is a pillar of the government's infrastructure investment strategy. The largest focus of the Loan Program remains water and wastewater infrastructure projects, with over $900 million in loans advanced, but we are making important inroads in new sectors. In the 2008 Ontario Budget, Loan Program eligibility was extended to include Housing Providers, Local Services Boards and Non-profit Professional Arts Training facilities. We received applications from new clients in all these sectors, and advanced more than $70 million.

Building on our Successes

I'm very proud of the team we have built at Infrastructure Ontario, and of the hard work they did in the 2008-2009 fiscal year. Together, we have strengthened relationships with our stakeholders in government, the public sector and the construction industry. In the coming year, some of our first projects will reach substantial completion and move towards operation. 2009-10 will also bring new challenges and opportunities, but I have confidence that we will continue our strong track record of making projects happen.



J. David Livingston
President and Chief Executive Officer

2008/09 Key Events & Achievements

March 31, 2009	Financial Close reached on Niagara Health System's new health care complex
March 24, 2009	RFQ issued for St. Joseph's Healthcare Hamilton project
March 12, 2009	RFP closed for Windsor Regional Hospital's redevelopment project
March 7, 2009	St. Joseph's Health Care, London celebrates opening of new Urgent Care Centre
February 26, 2009	RFQ issued for OPP Modernization project
February 20, 2009	Royal Victoria Hospital Phase 1 Expansion Project reaches Financial Close
February 11, 2009	Contract awarded for Lakeridge Health's Oshawa Hospital Redevelopment Project
February 2, 2009	Site chosen for Thunder Bay Consolidated Courthouse
December 10, 2008	IO Loan Program begins accepting applications from Social and Affordable Housing Providers
December 8, 2008	Toronto Rehab Kicks off one of the largest ever infrastructure investments in an Ontario rehab hospital
December 1, 2008	RFQ issued for proposed new Forensic Services and Coroner's Complex
November 17, 2008	RFP closed for Lakeridge Health's Oshawa Hospital redevelopment project
November 6, 2008	IO celebrates Kingston General Hospital's redevelopment
November 2, 2008	Construction begins on Woodstock General Hospital
October 31, 2008	RFQ issued for Women's College Hospital
October 28, 2008	Trillium Health Centre celebrates opening of renovated and expanded facilities
October 27, 2008	Contract awarded for new Woodstock General Hospital
October 8, 2008	Runnymede Healthcare Centre celebrates the structural completion of new facility
August 21, 2008	Infrastructure Ontario successfully places Infrastructure renewal bond issue
August 19, 2008	Toronto Rehabilitation Institute's Redevelopment Project reaches Financial Close
August 8, 2008	Province expands Infrastructure Ontario's Loan Program to include Arts Training Institutes, Local Services Board and Housing Providers
July 10, 2008	Contract awarded for Kingston General Hospital redevelopment project
June 27, 2008	RFQ issued for the Centre for Addiction and Mental Health Queen Street redevelopment project
June 20, 2008	Construction begins on Credit Valley Hospital
June 18, 2008	The London Health Sciences centre and St. Joseph's Health care London reach Financial Close
June 16, 2008	RFQ issued for new Waterloo Region Consolidated Courthouse
June 6, 2008	Completion of New wing complete for Quinte Health Care Belleville
June 3, 2008	RFQ issued for Toronto South Detention Centre
June 2, 2008	Credit Valley Hospital Phase 2 reaches Financial Close
April 18, 2008	Contract awarded for New Data Centre Project
April 7, 2008	RFP closed on Kingston General Hospital Project

AFP Projects Currently in Progress

PROJECTS UNDER CONSTRUCTION

Credit Valley Hospital
Durham Consolidated Courthouse
Hamilton Health Sciences - Hamilton General Hospital
Hamilton Health Sciences - Henderson General Hospital
Kingston General Hospital
Lakeridge Health
London Health Sciences Centre/St. Joseph's Health Care, London (Phase 2)
Montfort Hospital
New Data Centre
Niagara Health System
North Bay Regional Health Centre
The Ottawa Hospital Regional Cancer Program
Quinte Health Care
Rouge Valley Health System
Roy McMurtry Youth Centre
Royal Victoria Hospital
Runnymede Healthcare Centre
Sarnia Bluewater Health
Sault Area Hospital
St. Joseph's Health Care, London (Phase 1)
Sudbury Regional Hospital
Sunnybrook Health Sciences Centre
Toronto Rehabilitation Institute
Trillium Health Centre
Woodstock General Hospital

REQUEST FOR PROPOSALS CLOSED

Bridgepoint Health
Infrastructure Ontario's Nuclear Procurement Project
Windsor Regional Hospital

REQUEST FOR PROPOSALS OPEN

Centre for Addiction and Mental Health
Ontario Highway Service Centres
Toronto South Detention Centre
Waterloo Region Consolidated Courthouse

REQUEST FOR QUALIFICATIONS OPEN

Forensic Services and Coroner 's Complex
OPP Modernization
St. Joseph's Health Care Hamilton
Thunder Bay Consolidated Courthouse
Women's College Hospital

PRE-TENDER

Halton Healthcare Services
Humber River Regional Hospital
Markham Stouffville/Toronto Grace Hospital
Oak Ridge Facility
Quinte Consolidated Courthouse
South West Detention Centre
St. Joseph's Health Care - London/St Thomas
Toronto West Courthouse
West Lincoln Memorial Hospital
Windsor-Essex Parkway

AFP PROJECT ACTIVITY

Credit Valley Hospital
Mississauga, Ontario

Model Type: Build-Finance
Project Team: Bondfield Construction Company Ltd
Project Cost: $162.8 Million
Estimated Value for Money (VFM) Savings: $26.1 Million
Workers on site daily: 150 at peak of construction

Durham Consolidated Courthouse
Oshawa, Ontario

Model Type: Design-Build-Finance-Maintain
Project Team: Access Justice Durham
Project Cost (Net present value - NPV): $334 Million
Estimated VFM Savings: $49 Million
Workers on site daily: 410 at peak of construction

Hamilton Health Sciences – Hamilton General Hospital

Model Type: Build-Finance
Project Team: EllisDon Corporation
Project Cost: $44.9 Million
Estimated VFM Savings: $7.2 Million
Workers on Site Daily: 130 at peak of construction

Hamilton Health Sciences – Henderson General Hospital

Model Type: Build-Finance
Project Team: EllisDon Corporation
Project Cost: $198 Million
Estimated VFM Savings: $29.8 Million
Workers on site daily: 400 at peak of construction

Kingston General Hospital

Model Type: Build-Finance
Project Team: PCL Constructors
Project Cost: $141.2 Million
Estimated VFM Savings: $19.8 Million
Workers on site daily: approximately 75 at peak of construction

Lakeridge Health
Oshawa, Ontario

Model Type: Build-Finance
Project Team: Aecon Buildings and Concessions
Project Cost: $91.5 Million
Workers on site Daily: 300 at peak of construction

London Health Sciences Centre/
St. Joseph's Health Care, London (Phase 2)

Model Type: Build-Finance
Project Team: EllisDon Corporation

London Health Sciences Centre
Contract Cost: $211.8 Million
Estimated VFM Savings: $41.2 Million
Average number of workers on site at the peak of construction: 300

St. Joseph's Health Care (Phase 2)
Contract Cost: $49.2 Million
Estimated VFM Savings: $9.2 Million
Average number of workers on site at the peak of construction: 100

Hospital Montfort
Ottawa, Ontario

Model type: Modified Build-Finance
Project Team: EllisDon Corporation.
Contract Cost: $173 Million
Estimated VFM Savings: $19 Million
Average number of workers on site at the peak of construction: 100

New Data Centre
Guelph, Ontario

Model Type: Design-Build-Finance-Maintain
Project Team: Plenary Properties
Project Cost (NPV): $352 Million
Estimated VFM Savings: $64.2 Million
Workers on site daily: 170 at peak of construction

Niagara Health System
St. Catharines, Ontario

Model Type: Design-Build-Finance-Maintain
Project Team: Plenary Health Niagara (Plenary Group, Borealis Infrastructure, PCL Constructors Canada Inc., Bregman + Hamann Architects, Silver Thomas Hanley Architects, and Johnson Controls)
Contract Cost (NPV): $759 Million
Estimated VFM Savings: $96 Million
Average number of workers on site at the peak of construction: 1000

North Bay Regional Health Centre

Model Type: Build-Finance-Maintain
Project Team: Plenary Health
Project Cost (NPV): $551 Million
Estimated VFM Savings: $56.7 Million
Workers on site daily: 250 at peak of construction

The Ottawa Hospital Regional Cancer Program

Model type: Build-Finance
Project Team: PCL Constructors Canada

The Ottawa Hospital
Contract Cost: $46.7 Million
Estimated VFM Savings: $7.9 Million
Average number of workers on site at the peak of construction: 180

Queensway Carleton Hospital
Contract Cost – $66.3 Million
Estimated VFM Savings: $10.7 Million
Average number of workers on site at the peak of construction: 180

AFP PROJECT ACTIVITY (CONTINUED)

Quinte Health Care
Belleville, Ontario

Model type: Build-Finance
Project Team: M. Sullivan and Son
Project Cost: $72.2 Million
Estimated VFM Savings: $8.6 Million
Workers on site daily: 135 at peak of construction

Rouge Valley Health System
Ajax, Ontario

Model Type: Build-Finance
Project Team: Aecon Buildings
Project Cost: $64 Million
Estimated VFM Savings: $11.3 Million
Workers on site daily: 75 at peak of construction

Roy McMurtry Youth Centre
Brampton, Ontario

Model Type: Build-Finance
Project Team: Bird Construction
Contract Cost: $93 Million
Estimated VFM Savings: $9.4 Million
Average number of workers on site at the peak of construction: 380

Royal Victoria Hospital
Barrie, Ontario

Model Type: Build-Finance
Project Team: Vanbots
Project Cost: $258.5 Million
Workers on site daily: 200 at peak of construction

Runnymede Healthcare Centre
Toronto, Ontario

Model Type: Build-Finance
Project Team: Bondfield Construction Company Ltd.
Project Cost: $63 Million
Estimated VFM Savings: $10.8 Million
Workers on site daily: 120 at peak of construction

Sarnia Bluewater Health

Model Type: Build-Finance
Project Team: EllisDon Corporation
Project Cost: $214 Million
Estimated VFM Savings: $16.2 Million
Workers on site daily: 100-150 at peak of construction

Sault Area Hospital
Sault St. Marie, Ontario

Model Type: Build-Finance-Maintain
Project Team: Hospital Infrastructure Partners Inc (Carillion, EllisDon, LPF Infrastructure Fund (the Labourers' Pension Fund of Central and Eastern Canada) and CIT Financial)
Contract Cost (NPV): $408 Million
Estimated VFM Savings: $101.7 Million
Average number of workers on site at the peak of construction: 500-600

St. Joseph's Health Care Phase 1
London, Ontario

Model Type: Build-Finance
Project Team: D. Grant and Sons Limited
Contract Cost : $32.2 Million
Estimated VFM Savings: $3.1 Million
Average number of workers on site at the peak of construction: 55-65

Sudbury Regional Hospital

Model Type: Build-Finance
Project Team: EllisDon Corporation
Project Cost: $131.9 Million
Estimated VFM Savings: $16.7 Million
Workers on site daily: 195 at peak of construction

Sunnybrook Health Sciences Centre
Toronto, Ontario

Model Type: Build-Finance
Project Team: Vanbots Construction
Project Cost: $142 Million
Estimated VFM Savings: $14.1 Million
Workers on site daily: 160-170 at peak of construction

Toronto Rehabilitation Institute

Model Type: Build-Finance
Project Team: Aecon Construction
Contract Cost: $112.1 Million
Estimated VFM Savings: $18.9 Million
Average number of workers on site at the peak of construction: 150

Trillium Health Centre
Mississauga & West Toronto, Ontario

Model Type: Build-Finance
Project Team: EllisDon Corporation
Project Cost: $104.1 Million
Estimated VFM Savings: $12.9 Million

Woodstock General Hospital
London, Ontario

Model Type: Build-Finance-Maintain
Project Team: Integrated Team Solutions
Project Cost (NPV): $268.7 Million
Workers on site daily: 200 at peak of construction

REQUEST FOR PROPOSALS CLOSED

Bridgepoint Health
Toronto, Ontario

Model Type: Design-Build-Finance-Maintain

Infrastructure Ontario's Nuclear Procurement Project
Clarington, Ontario

Model Type: 2-phase competitive procurement process

Windsor Regional Hospital
Windsor, Ontario

Model Type: Build-Finance

REQUEST FOR PROPOSALS OPEN

Centre for Addiction and Mental Health
Toronto, Ontario

Model Type: Design-Build-Finance-Maintain

Ontario Highway Service Centres
Highway 400/401 Corridors

Model type: Design-Build-Finance-Maintain

Toronto South Detention Centre
Toronto, Ontario

Model Type: Design-Build-Finance-Maintain

Waterloo Region Consolidated Courthouse
Kitchener, Ontario

Model type: Design-Build-Finance-Maintain

REQUEST FOR QUALIFICATIONS OPEN

Forensic Services and Coroner's Complex
Toronto, Ontario

Model Type: Design-Build-Finance-Maintain

OPP Modernization
Multiple Sites

Model Type: Design-Build-Finance-Maintain

St. Joseph's Healthcare Hamilton, Centre for Mountain Health Services
Hamilton, Ontario

Model Type: Design-Build-Finance-Maintain

Thunder Bay Consolidated Courthouse
Thunder Bay, Ontario

Model Type: Design-Build-Finance-Maintain

Women's College Hospital
Toronto, Ontario

Model type: Design-Build-Finance-Maintain

PRE-TENDER

Halton Healthcare Services
Oakville, Ontario

Model Type: Design-Build-Finance-Maintain

Humber River Regional Hospital
Toronto, Ontario

Model Type: Design-Build-Finance-Maintain

Markham Stouffville/Toronto Grace Hospital
Toronto, Ontario

Model Type: Build-Finance

Mental Health Centre Penetanguishene
Penetanguishene, Ontario

Model Type: Design-Build-Finance-Maintain

Quinte Consolidated Courthouse
Belleville, Ontario

Model Type: Design-Build-Finance-Maintain

South West Detention Centre
Waterloo, Ontario

Model Type: Design-Build-Finance-Maintain

St. Joseph's Healthcare London/St. Thomas
London and St. Thomas, Ontario

Model Type: Build-Finance

Toronto West Courthouse
Toronto, Ontario

Model Type: Design-Build-Finance-Maintain

West Lincoln Memorial Hospital
Grimsby, Ontario

Model Type: Design-Build-Finance-Maintain

Windsor Essex Parkway
Windsor, Ontario

Infrastructure Lending 2008/09 Overview

As at March 31, 2009 Infrastructure Ontario had committed to providing over $2.5 billion in loans, of which over $1.9 billion had been advanced in support of over 850 infrastructure projects to renew the province's roads, bridges, universities, water systems and other vital public infrastructure.

As announced in the 2008 Ontario Budget, the Loan Program was broadened in 2008-09 to include non-profit arts training institutions, local services boards and social and affordable housing providers.

LOAN RESULTS AS AT MARCH 31, 2009

- The total value of Infrastructure Ontario (IO) loans approved and executed at the end of 2008-09 was $2.59 billion, of which over $1.98 billion had been advanced.
- Net advances for the program totaled $1.74 billion. Net advances grew 19.5% over the previous year.
- 95 loan applications with a value of $861.66 million were submitted in fiscal 2008-09. This represents an increase of 57% over fiscal 2007-08 and is the highest total number of applications received since the inception of the program, including the 2003 program year.
- $426 million (50% of the value) of new loan applications were from new clients.
  - Newly expanded sectors – non-profit arts training, local services boards and housing providers – represent an application value of $292 million.
  - $134 million came from new clients in existing sectors.
- Over 220 public sector clients have submitted an application for a loan since the Loan Program's inception.

ANNUAL CLIENT SURVEY

- Clients are very satisfied with the loan process, averaging a mean rating of 4.1 out of 5.0, the same as the previous year.
- 92% of current clients say that they would likely work with IO again in the future, an increase of 6% over last year.
  - One-third of all current clients have submitted more than one loan application.
- Four in five non-clients are aware of Infrastructure Ontario's Loan Program
  - One in four will consider an Infrastructure Ontario loan as a method for financing their "very next capital investment".

IMPROVEMENTS OVER THE PAST YEAR

- Broadening of the program into three new sectors – non-profit arts training, local services boards, and affordable and social housing
- Addition of new Account Manager. One manager for each region – Southwest, Central, East and North
- Real-time online rate updates to improve efficiency
- Introduction of tiered rate structure which recognizes the effort required to evaluate the unique fundamental credit characteristics of each eligible client sector
- Providing online construction loan advances for municipal clients
- Providing pre-flow of funds
- Developed an online tool to assist municipal clients better understand the benefits of debt financing
- Improvements to the WebLoans online application system
- Establishment of the Strategic Partnerships Program
- Consolidating and minimizing information to reduce duplication
- Improving the Project Management Reporting process

SUMMARY & 2009/10 OUTLOOK

There have been many factors that impacted the volume of loan activity this year – grant programs, Loan Program expansion and our economic climate.

As economic turmoil from the sub-prime mortgage crisis in the U.S. spread to financial and manufacturing sectors around the world, Infrastructure Ontario was well positioned to respond to the contraction in the credit markets and was able to meet loan demand in all our market sectors. The availability of Infrastructure Ontario liquidity to finance infrastructure projects in difficult credit markets have allowed our client projects to proceed when otherwise they may not have been able to secure financing.

Federal and provincial government grant programs and Canada Mortgage and Housing Corporation Loan Program announcements have, and will continue to affect Infrastructure Ontario's Loan Program in the coming year by fostering a "wait and see" attitude with our core municipal sector. Although these municipal programs will continue to be a challenge for the Loan Program by offering alternative sources of project funding, the government focus on infrastructure for stimulus funding will provide opportunities as clients look to finance their share of construction-ready projects.

In the coming year, the Loan Program should see an increase in activity from its non-municipal sectors as a result of the provincial government's announcement to redevelop B and C long-term care beds and the extension of the federal/provincial affordable housing program.

Organizational Overview

ORGANIZATIONAL MANDATE & HISTORY

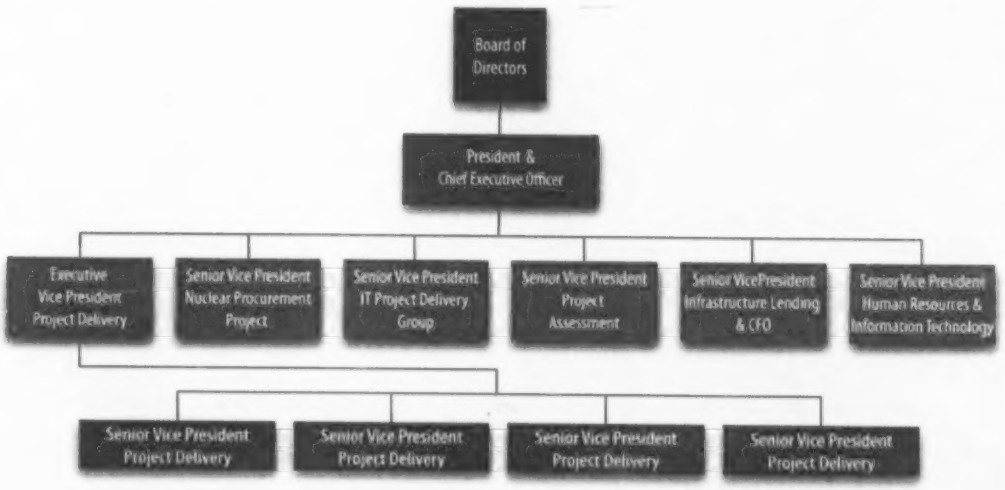
Infrastructure Ontario is a Crown corporation dedicated to managing some of the Province's larger and more complex infrastructure renewal projects, ensuring they are built on time and on budget, and to supporting infrastructure investment across the broader public sector.

In 2005, the Government implemented ReNew Ontario 2005 –2010, a $30 billion strategic investment plan to address a significant public infrastructure deficit and prepare for future growth. Infrastructure Ontario is an essential component of the plan. Renew Ontario was completed a full year ahead of schedule and has helped to address the significant infrastructure deficit that built up over three decades prior to 2003.

Our work is guided by principles outlined in the Province's Building a Better Tomorrow framework, which ensures public ownership of core assets such as hospitals, schools, and water and wastewater facilities. Using an Alternative Financing and Procurement (AFP) model, Infrastructure Ontario leverages private financing and expertise to strategically rebuild and maintain vital infrastructure, on time and on budget. Infrastructure Ontario also provides Ontario municipalities, universities and other public sector bodies with access to affordable loans to build and renew local public infrastructure.

CORPORATE STRUCTURE

Infrastructure Ontario is organized in six functional areas, as illustrated in the figure below:


Board of Directors
President & Chief Executive Officer
Executive Vice President Project Delivery
Senior Vice President Nuclear Procurement Project
Senior Vice President IT Project Delivery Group
Senior Vice President Project Assessment
Senior VicePresident Infrastructure Lending & CFO
Senior Vice President Human Resources & Information Technology
Senior Vice President Project Delivery
Senior Vice President Project Delivery
Senior Vice President Project Delivery
Senior Vice President Project Delivery

Project Delivery is responsible for managing the planning, design and delivery of major public infrastructure projects, supported by project communications, finance, legal, and procurement services. The work ranges from managing procurement and negotiating contracts with private sector consortia, to project management from procurement through to construction completion.

The Nuclear Procurement Project Team is a special purpose team that supports the government's plan to develop new nuclear power generation capacity. The Nuclear Procurement Project Team will manage the procurement process to determine a preferred nuclear reactor vendor.

The new IT Project Delivery Group uses the on-time, on-budget delivery principles under Alternative Finance and Procurement to provide better due diligence and more value for taxpayers on the procurement of large technology infrastructure projects. The team is working with eHealth Ontario, a provincial crown agency, to support the government's initiatives to deliver better and safer patient care by harnessing technology and innovation to develop a chronic disease management system, specifically, a Diabetes Registry.

Project Assessment is responsible for developing and planning potential AFP projects. Some of these projects may be contemplated as traditional projects, and others may be in the early planning stages by broader public sector entities. This group coordinates advisory services to municipalities, universities and other public bodies who are considering the possibility of delivering a project using an alternative financing and procurement approach.

Infrastructure Lending is responsible for Infrastructure Ontario's Loan Program, which provides Ontario municipalities, universities and other public sector entities with access to low cost loans to build and renew local public infrastructure. It also provides finance, communications and corporate relations support and legal services to the entire organization.

Human Resources and Information Technology is responsible for developing the internal strength to meet Infrastructure Ontario's needs in information technology and personnel, including the development of staff programs. The division facilitates Infrastructure Ontario's ability to recruit and retain the talent needed, and enable productivity through technology.

BUSINESS STRATEGY

Infrastructure Ontario will continue to be a world-class infrastructure development and delivery agency. Several strategies are in place to ensure we build on our early success.

First, we will continue to procure assigned projects on time, on budget and on scope. Infrastructure Ontario is overseeing the development of more than 50 projects and, through a focused and committed effort, we will ensure these projects are successfully tendered.

Second, as projects begin construction, we will ensure they are built on time, on budget and on scope. Only when projects are completed will our work be done.

Third, we will support infrastructure investment across the broader public sector. Infrastructure Ontario carries out two key activities that assist the broader public sector in making projects happen: the provision of loans and project assessment.

Fourth, we will pay keen attention to meeting our clients' expectations and we will continue to strive to improve our client service.

Fifth, we will achieve the financial and business targets for the organization. Our success on the ground must be matched by the strength of our finances.

And finally, we will maintain our momentum by continuously improving and adapting our strategies and programs to overcome new challenges and support new government priorities.

Corporate Governance

Infrastructure Ontario's corporate governance structure is set out in the Ontario Infrastructure Projects Corporation Act, 2006. Infrastructure Ontario is a corporation without share capital, composed of the members of its board of directors. The members are appointed by the Lieutenant Governor in Council. The Chair and Chief Executive Officer are designated and appointed by the Lieutenant Governor in Council. This governance structure ensures that Infrastructure Ontario's activities are conducted in accordance with relevant statutes, as well as government policies and directives.

As part of Infrastructure Ontario's commitment to good governance, the Corporation prepares an annual report in accordance with Management Board of Cabinet directives that is approved by the Board and submitted to the Minister of Energy and Infrastructure for tabling in the Ontario Legislature.

The Board of Directors provides strategic oversight within the objects of the corporation. The board is also responsible for approving policies relating to risk assessment/ management; and approving policies governing compensation performance awards. It approves projects that are within scope and expenditure limits. It provides oversight of senior management, monitoring for legal compliance, internal control, effective audit procedure, and reporting requirements. Finally, it provides advice and counsel to the Minister of Energy and Infrastructure.

BOARD OF DIRECTORS

Tony Ross
Chair

Tony Ross serves as the Chair of Infrastructure Ontario. Prior to this, Mr. Ross worked as a Business Consultant for RG Group where he advised, among others, Manulife Financial, the Government of Newfoundland, the University of Toronto, York University, Ottawa Congress Centre, Hydro One, TD Securities, Merrill Lynch Canada, Scarborough Hospital and Telus.

Before RG Group, Mr. Ross was Vice-Chairman of Merrill Lynch, where he directed the activities of the Capital Markets group.

Director and Chair since: November 2, 2005
Current term expires: March 31, 2011
Member of: Governance & Compensation Committee
Non-Independent (Chairman of the Corporation)

Patrick J. Dillon

Patrick J. Dillon is the Business Manager and Secretary Treasurer of the Provincial Building and Construction Trades Council of Ontario. He has held this position since January of 1997.

He began his career in the construction industry as an apprentice electrician in 1961 and became a journeyman in 1966. Following 18 years of experience in the construction industry, he was elected Business Manager of Local 105 of the International Brotherhood of Electrical Workers (IBEW). In 1991, he was elected Executive Chairman of the IBEW Construction Council of Ontario where he was responsible for establishing the very successful Provincial Organizing Department.

Mr. Dillon was appointed by the Government of Ontario to serve on the Board of Directors of the Workplace Safety and Insurance Board (WSIB). He also serves as a director on the following organizations: Ontario Construction Secretariat (OCS), the Construction Safety Association of Ontario (CSAO), Construction Sector Council of Canada, Infrastructure Ontario, 2015 Toronto-Greater Golden Horseshoe Pan AM bid, The Workers Arts and Heritage Centre and The De Novo Treatment Centre. Dillon also served on the Hamilton Harbour Commission.

In addition, Mr. Dillon is active in his hometown of Hamilton where he is an avid curler and golfer.

Mr. Dillon is married and has two children.

Director since: September 6, 2006
Current term expires: September 5, 2009
Member of: Credit & Risk Management Committee
Independent

David Livingston
President & Chief Executive Officer

As President and Chief Executive Officer of Infrastructure Ontario, David Livingston oversees the crown corporation responsible for executing large-scale public infrastructure projects for the Government of Ontario.

Mr. Livingston has 30 years financial industry experience, where he ultimately rose to Executive Vice President, Corporate Development at TD Bank Financial Group.

Mr. Livingston obtained his B.Sc. from the University of Western Ontario and his MBA from Queen's University. He is a director of eHealth Ontario, Ovarian Cancer Canada and the Children's Aid Society of Toronto in addition to Infrastructure Ontario. He and his wife have two grown children.

Director since: November 21, 2005
Current term expires: November 20, 2011
Non-Independent (President & CEO of the Corporation)

BOARD OF DIRECTORS (CONTINUED)

Gadi Mayman

As chief executive officer of the Ontario Financing Authority, Gadi Mayman is responsible for the Province's borrowing and debt management programs and its banking and capital markets relationships. He is also CEO of the Ontario Electricity Financial Corporation.

Mr. Mayman is Co-Chair of the Joint Nuclear Funds Investment Committee, a joint OFA and Ontario Power Generation Inc. (OPG) Committee, and was formerly on the Board of the Ontario Clean Water Agency, as well as setting up and being the initial Chair of its Audit Committee. Mr. Mayman is also on the Ontario Capital Growth Corporation Board.

Prior to joining the Ontario Ministry of Finance, Mr. Mayman worked as a treasury officer at the Export Development Corporation in Ottawa and in the International Division of the TD Bank.

Gadi received a B.Sc. in Industrial Engineering from the University of Toronto in 1981, and an M.B.A. from the University of Western Ontario in 1988.

Director since: November 2, 2005
Current term expires: November 1, 2011
Member of: Credit & Risk Management Committee
Non-Independent (CEO of the Ontario Financing Authority)

Isabel Meharry

Isabel Meharry is Vice President, Finance, Secretary Treasurer and Chief Financial Officer for Green Shield Canada which specializes in group and individual health and dental programs and administration.

Ms. Meharry has more than 25 years in senior financial and operating roles. Prior to joining Green Shield Canada, she held the position of President and Chief Executive Officer of Financial Executive International Canada. She has also served as the Executive Consultant to the Chairman and CEO of Sun Life Financial of Canada in Hong Kong, as an Executive Vice President of Aviva Insurance Company, the Chief Financial Officer of the Insurance Corporation of British Columbia and the Chief Auditor at North American Life Insurance Company (now part of Manulife).

Isabel is a member of several boards and was recently elected to the Council of the Institute of Chartered Accountants of Ontario. She holds an MBA from York University, is a Chartered Accountant, a Certified Fraud Examiner, a Certified Public Accountant, and a Chartered Director.

Director since: August 24, 2006
Current term expires: August 23, 2009
Member of: Audit Committee (Chair)
Independent

Linda Robinson

Linda Robinson is a senior partner at Osler, Hoskin & Harcourt LLP, a leading Canadian law firm, and immediate past Chair of Osler's national business law department. Linda has a corporate law practice with a particular emphasis on mergers and acquisitions, business and financial restructuring and shareholder matters. Ms Robinson has a long standing interest in infrastructure renewal with an MSc in Urban and Regional Planning Studies from the London School of Economics.

Director Since: February 21, 2007
Current term expires: February 20, 2010
Member of: Governance & Compensation Committee (Chair)
Independent

Anthony Salerno

Mr. Salerno currently serves as the President of Integrity Works, Inc., a consultancy firm focused on providing a variety of business services to the private and public sectors related to corporate governance, regulatory compliance and business ethics.

From 2000 until 2005, Mr. Salerno served as Managing Director of Global Investment Banking and Investment and Corporate Banking at BMO Nesbitt Burns. From 1995 to 2000, Mr. Salerno served as Chief Executive Officer and Vice-Chair of the Ontario Financing Authority, where he advised the Minister of Finance on many initiatives, including the restructuring of Ontario Hydro. Prior to that, he held many positions of increasing responsibility in the Ministry of Finance and the Ministry of Transportation, where he led the development and implementation of the original Highway 407 public-private partnership.

He has also served on a number of boards, including Cornerstone Capital, the Ontario Clean Water Agency and Superbuild Corporation.

Director since: May 28, 2008
Current term expires: May 27, 2011
Member of: Audit Committee
Independent

BOARD OF DIRECTORS (CONTINUED)

Jim Schwindt

Jim Schwindt is a Professional Engineer who started his career at Traugott Construction Limited in 1973 as an estimator and project manager. He was then promoted to General Manager in 1978 and became President and controlling partner in 1982. He retained this position until his retirement at the end of 2005.

Throughout his career, Mr. Schwindt has served as the director and chairman of numerous associations, such as the Council of Ontario Construction Association, the Ontario General Contractors Association and the Grand Valley Construction Association.

Mr. Schwindt graduated from the University of Waterloo in 1973 with a Bachelor of Applied Science in Civil Engineering.

Director since: February 21, 2007
Current term expires: February 20, 2010
Member of: Audit Committee
Independent

Darija Scott

Darija Scott is Managing Principal of SCOTT Associates Architects Inc., which she co-founded in 1987. The Toronto-based firm's current project and consulting work in the international area centres around public/private infrastructure projects. This field has become an area of specialization for Darija. She has worked around the world on several high profile transport privatization projects with a diverse group of clients including operators such as Lockheed and Hughes, contractors Bouygues and Skanska, as well as entities such as British Aerospace and Aeroports de Paris, and various airport authorities.

Her firm SCOTT Associates was the Design Architects for Terminal 3 at Toronto Pearson and has several major assignments at Pearson including the design of the new 13,200-vehicle garage at Toronto's new terminal development as well as the upgrade and expansion of Terminal 3.

Darija runs the firm's Business Development divisions in both Canada and the US.

Director since: August 24, 2006
Current term expires: August 23, 2009
Member of: Governance & Compensation Committee
Independent

BOARD COMMITTEES

Audit Committee

The Audit Committee is responsible for overseeing Infrastructure Ontario's risk management and financial reporting. It reports to the Board of Directors, assisting it in discharging its oversight responsibilities relating to Infrastructure Ontario's risk exposures arising from its financial activities.

Credit & Risk Management Committee

The purpose of the Credit and Risk Management Committee is to ensure that Infrastructure Ontario adheres to the Credit Risk Policy and the Asset Liability Management Risk Policy approved by the Board of Directors, to recommend policies to the Board of Directors, and to monitor Infrastructure Ontario's risk profile.

Governance & Compensation Committee

The role of the Governance and Compensation Committee is to make recommendations to the Board of Directors with respect to the composition of the Board of Directors and its committees, and to promote a set of corporate governance principles aimed at fostering a healthy governance culture at Infrastructure Ontario. The Committee is also responsible for reviewing and recommending for approval the compensation of the Chief Executive Officer. In addition, they oversee Infrastructure Ontario's employee incentive program and the overall Human Resources expense.

Director Compensation

Each director who is not an employee of Infrastructure Ontario receives an annual retainer of $5,000. Directors are compensated for each meeting that they attend and receive a fee of $500 per meeting. Directors are also reimbursed for travel and other expenses they incur to attend meetings or to perform other duties in their role as a director.

Public Sector Salary Disclosure

Infrastructure Ontario is subject to the Public Sector Salary Disclosure Act and is obligated to report salaries over $100,000. For purposes of applying the Act, salaries include bonuses and taxable benefits actually received during the year as reported for personal income tax purposes

SENIOR EXECUTIVE

David Livingston
President & Chief Executive Officer

As President and Chief Executive Officer of Infrastructure Ontario, David Livingston oversees the crown corporation responsible for executing large-scale public infrastructure projects for the Government of Ontario.

Mr. Livingston has 30 years financial industry experience, where he ultimately rose to Executive Vice President, Corporate Development at TD Bank Financial Group.

Mr. Livingston obtained his B.Sc. from the University of Western Ontario and his MBA from Queen's University. He is a director of eHealth Ontario, Ovarian Cancer Canada and the Children's Aid Society of Toronto in addition to Infrastructure Ontario. He and his wife have two grown children.

Jim Dougan
Executive Vice-President, Project Delivery

Jim Dougan worked as a consultant with the Ministry of Public Infrastructure Renewal to help put together the Alternative Financing and Procurement program and joined Infrastructure Ontario at its inception. He brings more than 25 years of comprehensive development and construction experience to Infrastructure Ontario as Executive Vice President, Project Delivery. Jim provides project oversight and strategic direction leading IO's team of experts in all areas of project development including legal, finance, communications and project management.

Jim's prior experience includes significant leadership positions with two key Ontario industry players. As the President and Chief Operating Officer of Falls Management Company Jim successfully managed the development of the $1.0 billion, 2.5 million square foot Fallsview Casino Resort in Niagara Falls, Ontario.

Jim spent over 22 years with Canada's largest publicly-traded construction and infrastructure development company, BFC Construction Group (now Aecon Group Inc.) and resided in Toronto, Vancouver and Seattle. He was BFC's Chief Operating Officer and the President and Chief Executive Officer of the Company's Building Division. Through this tenure Jim also served as a managing member of Group West Associates, LLC, an architectural, interior design and development services company.

Tony Day
Senior Vice-President, Human Resources & Information Technology

Tony has over 30 years of diverse senior experience in Human Resources and Information Technology working for both the private and public sector across three provinces. His early career focused on business process reengineering and the development of credit card, financial and cost accounting systems in the private sector (Consolidated Bathurst and a major bank), and later the development and implementation of several information systems, primarily human resources, at Siemens and the ministries of Transportation, Education and Cabinet Office.

Tony's human resources experience in the last ten years has focused on guiding organizations in defining their business plans and leading large scale restructuring and transformation. Most recently, he helped the Ministry of Labour meet some difficult challenges and reshaped how HR services were delivered.

The challenge of building an organization from a concept, and a desire to realize the results of what we do attracted Tony to Infrastructure Ontario. He would like to be known for having designed and staffed an organization that is built to last, and employees are proud to be a part of.

Renato Discenza
Senior Vice-President, IT Project Delivery

Renato Discenza is Senior Vice-President, IT Project Delivery. He leads the group responsible for delivering large scale IT systems for the people of Ontario using Alternative Finance and Procurement. He is a senior IT and telecom executive with over 22 years of experience in building great teams and leading excellent organizations. He has held various officer and senior executive positions at Bell Canada and AT&T Canada. Most recently, he was Senior Vice President of Enterprise Sales at Bell Canada. In addition, Renato has also led several other key functions at the executive level including Carrier Services, Network Operations, Procurement, Customer Service, Business Transformation, Supply Chain and Logistics, Capital Management, Shared Services and Network Planning & Engineering.

Renato is also active in the community and serves on the Board of Directors for both the Windsor International Airport and the Change Foundation. He has served on various Board of Directors over the last few years in both the public and private sector including Waterfront Toronto, Amtelecom Income Trust, Credit Valley Hospital Board of Governors, Junior Achievement, and the Ontario Chamber of Commerce. He served as Chairman of the Greater Toronto Marketing Association, as well as the Bell Economic Development Fund. Renato also has experience in various Advisory Boards in areas including Education, Community Safety, and Public Infrastructure. He also has been an active member of United Way Cabinets in Greater Toronto. In recognition for his business achievement in vision and leadership, innovation and achievement, impact, community involvement and contribution, and growth and development strategies Renato received the prestigious Top 40 Under 40 Award™.

SENIOR EXECUTIVE (CONTINUED)

Vas Georgiou
Senior Vice-President, Project Delivery

Vas has nearly 20 years of healthcare experience in both the public and private sectors. He has held numerous senior management positions in development and operations in the Healthcare and Hospitality industries, including the Metro Toronto Convention Centre, Toronto East General Hospital and St. Joseph's Healthcare Centre Toronto. He was also a Project Director for the major developments at Markham Stouffville Hospital, Hospital for Sick Kids, and Guelph General Hospital.

Prior to joining Infrastructure Ontario, Vas was the Executive Vice President Operations, Clinical and Support Services at the St. Joseph's Health Centre in Toronto, where he also served as the Interim President and CEO for an extended period.

In his current role at Infrastructure Ontario, Vas is responsible for the strategic planning, development, financing and procurement of major public infrastructure projects.

Mathew Kattapuram
Senior Vice-President, Civil Infrastructure

Mathew joins Infrastructure Ontario from Carillion Canada, where he was Vice-President of Infrastructure Development. While at Carillion he became well-acquainted with IO and the AFP model, and led several multi-billion dollar AFP projects in the health care sector, including the Royal Ottawa, North Bay, Sault Area, Woodstock, Niagara and Bridgepoint Hospitals.

As part of his extensive experience in the construction of major civil infrastructure projects (highways, bridges and railway lines), Mathew also was in a leadership position for one of the proponents bidding for Highway 407, Canada's first transportation PPP project. He played an integral role in the development of Carillion's strategy for expanding its PPP project delivery and was responsible for identifying appropriate bidding opportunities, establishing bidding strategies, assessing risks, assembling consortia and bid teams, and leading the negotiations.

Mathew is a member of the Association of Professional Engineers of Ontario. He received his B. Sc. Civil Engineering degree from the University of Calgary and has completed an executive management program at Ashton University in Birmingham, U.K.

Mathew joined Infrastructure Ontario to be at the forefront of AFP Delivery. In particular, he will be looking to fulfill IO's mantra of on time and on budget as IO expands into roads and transit projects.

John McKendrick
Senior Vice-President, Project Delivery

As the Senior Vice President, Project Delivery, John McKendrick is responsible for the strategic planning, development, financing and procurement of major public infrastructure projects. Since fall 2005, John and his staff have been responsible for bringing some two dozen projects worth more than $5 billion to market, and achieving financial close and construction start on 16 projects.

John came to Infrastructure Ontario with over 17 years of experience in the Provincial government. During that time, he gained expertise in finance, and infrastructure project development and delivery. Most recently he was an Assistant Deputy Minister in the Ministry of Public Infrastructure Renewal. He has also served as the Director of the Corporate Finance Branch at the Ontario Financing Authority. John has been involved in the financing of a number of infrastructure projects across various sectors, including hospitals, school boards, universities and crown agencies, as well as asset-based and other structured financings.

Bill Ralph
Senior Vice-President, Infrastructure Lending & Chief Financial Officer

With over 25 years of financial and managerial experience with the Government of Ontario, Bill is a proven leader in shaping the way that infrastructure projects are financed and delivered in Ontario. He established the Ontario Strategic Infrastructure Financing Authority (OSIFA) - an innovative, affordable and efficient public infrastructure Loan Program and the first of its kind in Canada. Prior to OSIFA, Bill led the development of Ontario's Infrastructure Planning, Finance and Procurement Framework as well as a number of high-profile projects for the Ministry of Finance.

In his current position at Infrastructure Ontario, Bill continues to play a pivotal role in developing the future of infrastructure investments in Ontario, including contributing to the adoption of the Building a Better Tomorrow framework across the broader public sector and raising the level of effective delivery of infrastructure investments through the delivery of the over $2 billion Infrastructure Ontario Loan Program. As Chief Financial Officer, Bill is responsible for providing financial and strategic advice and support to senior management, the CEO and the Board, and for overall corporate oversight on all financial matters related the organization.

Bill has an Honours Bachelor of Arts in Economics from Queen's University and a Masters in Business Administration from York University. He and his wife, Lezlie, have three children – two boys and a girl.

SENIOR EXECUTIVE (CONTINUED)

Steven Richards
Senior Vice-President, Shared Services

Steven Richards is the Senior Vice President of Shared Services at Infrastructure Ontario. In this capacity, he manages five departments dedicated to supporting the Project Delivery teams at Infrastructure Ontario: Legal, Finance, Procurement, Communications and the Program Management Office.

He has been with Infrastructure Ontario from its beginning, serving the organization in several capacities, including Vice President of Project Legal, and Senior Vice President of the Nuclear Procurement Project.

Prior to joining Infrastructure Ontario, Steven worked for Johnson Controls, Bombardier and Gowlings. He is a graduate of McGill University and the Queen's University Faculty of Law. He was admitted to the Ontario Bar in 1990.

George Stewart
Senior Vice-President, Project Assessment

George has over 25 years of diverse experience developing commercial real estate across Canada and has worked with some of Canada's largest developers. He has held senior development roles with Oxford Properties Group, Borealis Real Estate, Morguard Investments and Cambridge Shopping Centres.

George was attracted to Infrastructure Ontario by the opportunity to build legacy projects and utilize his extensive experience and skill set to create a bridge of understanding and sense of "do-ability" between the private and public sectors to successfully deliver Infrastructure Ontario's rigorous agenda.

In addition to his role at Infrastructure Ontario, George also conducts pro bono communication skills seminars for University student groups based on his corporate workshop, "The Essence of Communication is Connection." The purpose of this work is to provide students with the skills necessary to gain entry to and excel in the corporate environment.

Accountability Framework

OUR VISION

The "go-to" group for making Ontario public infrastructure projects happen.

OUR MISSION

We use the best of public and private-sector expertise to expand and renew public assets. We deliver public infrastructure projects on time and on budget using best practices recognized worldwide. We provide affordable rates of financing and project management expertise to a diverse public sector customer base. In short, Infrastructure Ontario makes public infrastructure projects happen.

SUCCESS FACTORS

This is how each of our Success Factors is defined at Infrastructure Ontario:

Public/Customer Focus

- Make customers aware that their needs are our priority
- Understand the customer's objectives and earn their respect
- Demonstrate to our customers that their success is our success

Collaborative Effort

- Facilitate a partnering approach by establishing common goals and objectives
- Develop flexible work plans that address customer needs
- Develop an integrated organization that excels in sharing knowledge and resolving problems

Expert Team

- Our team has extensive skills and industry-proven experience
- Our team works effectively with all stakeholders
- Our team is motivated and passionate about what we do

Excellent Results

- Define success, deliver value
- Deliver what we committed on time, on budget, on scope
- Manage and mitigate project risk

Continuous Improvement

- Source and apply best practices, creating centres of expertise
- Continuously identify lessons learned and preferred solutions
- Invest in staff training, systems and technology to foster organizational development

Accountability Framework

OUR CULTURE

In general terms of behaviour, this is how each of the values that comprise our culture is defined at Infrastructure Ontario:

Respectful

- We treat each other, our partners and customers with dignity and openness
- We recognize different skills and the expertise of each team member and learn from each other
- We share the fundamental belief that there is a reason to respect everyone and their views

Resourceful

- We share information, communicate status and results, and transfer knowledge
- We go the extra mile to get the job done
- We use the best tools available and draw on the expertise, creativity and knowledge of the team

Results-Focused

- We are accountable—no excuses
- We develop effective solutions—we get it done
- We use 'and' thinking—we turn obstacles into opportunities

Management Discussion & Analysis

This following Management Discussion and Analysis (MD&A) should be read in conjunction with the audited financial statements and accompanying notes of Infrastructure Ontario (IO), for the fiscal year ended March 31, 2009. The results reported have been prepared in accordance with Canadian generally accepted accounting principles.

RESULTS OF OPERATIONS & KEY HIGHLIGHTS

The organization's net loss of $12.9 million is directly related to the Loan Program. IO's interest expense on Loan Program debt exceeded interest revenue on loans and investments by $10.2 million. The majority of net interest expense relates to the 2003/04 concessionary Loan Program, whereby loans were issued to municipalities at a subsidized rate. In addition, IO recognized one time concession costs from approving $156 million new concessionary debentures.

Over the prior year, interest expense on Loan Program debt and interest revenue on loans and investments decreased by $33.4 million and $30.2 million, respectively. This was primarily the result of interest rates decreasing significantly over the period on temporary investments, loans, commercial paper and long term debt, such as the Provincial and OCWA loans.

New this year, the Ministry of Energy and Infrastructure provided IO a grant to cover the administrative costs directly related to the Loan Program.

Project spending for the year was $69.7 million, consisting of external project advisory costs and internal operating costs, including financing. During the year, IO borrowed $40 million on the OFA Revolving Credit Facility. The funds provide working capital for project expenditures. Over the prior year, project spending increased $23.9 million.

During the year, Interest Rate Swap derivatives were employed, specifically to convert the fixed rate interest earned on loans to a floating rate of interest and also to convert the fixed rate interest paid on capital markets debt issues to a floating rate of interest. With both interest payment flows on a floating rate basis, IO removes the impact of broader changes in interest rates due to changes in the Government of Canada yield curve and can therefore protect its net interest margins that are required to cover program delivery costs.

On May 6, 2008, IO redeemed $323 million of Ontario Opportunity Bonds. As a result, a portion of short-term investments, consisting of money market securities and bonds, were liquidated.

On August 26, 2008, IO issued $300 million of Infrastructure Renewal Bonds. The funds are invested in long term investments, prior to being advanced to an approved borrower.

Risk Assessment & Risk Management

AFP PROJECTS RISK

Construction Industry Capacity Risk
Infrastructure Ontario assessed Construction Industry Capacity with an extensive study issued in October 2007. Based on the economic slowdown in Ontario, there is increased demand for public-sector projects to begin construction and IO is in the process of re-assessing the construction market's capacity for both civil and social accommodation projects. A number of risks present themselves with regard to market capacity:

- with the large pipeline of transportation and transit infrastructure projects in Ontario and from across Canada coming to market in the coming years, there will need to be assurance that there is adequate management, estimating and construction expertise in the global market to bid and construct them;
- with a number of social accommodation, Design-Build-Finance-Maintain projects expected to be released by IO into the market in the next 18 months, there needs to be similar assurance that there is adequate management, estimating and construction expertise in market to handle the number and size of projects;

IO is surveying its stakeholders in both the civil field and social infrastructure fields and expects to have a preliminary assessment of the market's capacity by April 2009. With the results of comprehensive labour market surveys from the Construction Sector Council in May 2009, IO expects to complete a more detailed update to its study by the Summer of 2009.

Financing Risk
The turmoil in the financial markets continues to put a strain on limited lending resources into IO's expanding portfolio of AFP projects.

To manage these risks, IO has undertaken a number of initiatives to revise procurement processes as well as implement key structural changes in an effort to maximize ongoing participation in the program. These changes include:

- introduction of shorter price bid validity periods on lenders' credit spreads with a benchmarked resetting of lenders' pricing from RFP submission to Financial Close;
- increased flexibility in the submission process to allow for reasonable changes in lending terms and conditions after RFP submission;
- enhanced RFQ and RFP financial evaluation criteria and scoring to ensure a more thorough assessment of bidders' strength and commitment to reach Financial Close; and,
- to address the long-term debt liquidity issue, the amount of public funding has been grown by increasing the size of the Substantial Completion payment and by introducing a capital payment two years post Substantial Completion once operations are fully up and running and the transition risks have been diminished.

With the changes introduced above, and through ongoing consultation across industry stakeholders (including banks, equity providers, developers, contractors, etc.), the Infrastructure Ontario AFP program remains a solid and attractive investment in a difficult and challenging market environment.

Construction Risk
All AFP projects in the construction phase are required to employ project controls and risk management procedures consistent with guidelines and requirements developed by IO following best practices and tailored specifically to the AFP program. These guidelines and requirements are set out (in increasing detail), in the MOU, Project Charter, and Project Implementation Plan (PIP) executed for each project by IO and the Co-Sponsor or Ministry (in the case of a Public Works project). Additionally, a manual containing a broad base of project management guideline materials generally applicable to AFP projects is provided to all key Project Management Team representatives.

IO's project controls applicable to all projects focus on the following areas:

- Change Management (contract and scope change controls)
- IO mandate and oversight (applicable to healthcare projects where the implementation phase is managed directly by the healthcare organization)
- Budget and cost management (including contingency management)
- Project Reporting, and
- External communications

Risk Events
The potential to negatively affect the construction of a project can come in many different forms. A key to effectively managing risk events that arise during construction is prompt identification and reporting to the project participants responsible for managing risks. Through the various project documents (e.g., Project Agreement and PIP) and through various project forums (e.g., project works committees, joint building committees, AFP Construction Committee), risks that arise are reported and include an assessment of their potential impact on the project and develop a plan to control or mitigate the risk. IO holds monthly AFP Construction Committee meetings attended by senior IO management and project delivery team members to review the project status, risk management, schedule performance, contingency status, stakeholder issues and budget / cost status of all projects in construction. IO's standard monthly reporting template forms the basis of the reports. This process ensures that appropriate and timely action is taken on issues and risks as they arise.

Transition Risk
As IO delivers on its mandate to bring a significant number of projects to substantial completion over the next 3 to 5 years, there will be challenges for the government ministries involved. As projects move from the construction phase of delivery to the operations phase, a number of risks exist as the transition is executed. Project co-sponsors and client ministries are responsible for ensuring that projects are ready from an operational standpoint including such logistics as staffing, funding and managing public expectations. We work with Government to mitigate any risks related to the significant number of projects coming to fruition as a result of IO's project delivery.

AFP PROJECTS RISK (CONTINUED)

Operational Risk
The AFP model carries a number of complexities that could contribute to operational risk. Examples of these complexities include:

- ongoing compliance with Output Specifications;
- managing the payment mechanism when there are service and availability failures;
- issues with lifecycle administration and 'handback to the owner' requirements;

IO is working towards mitigating operational risk related to these potential issues. For public works projects, IO is completing a comprehensive, user-friendly operations manual for client ministries. The manual is designed to improve understanding of the complexities involved in the AFP model and, particularly, how public works projects are assigned or 'handed back' to the Ontario Realty Corporation at construction completion. In addition, a similar manual is being developed for healthcare projects.

IO also helps mitigate operational risk by asking bidders to present innovations for Leadership in Energy and Environmental Design (LEED) on all projects. These innovations often make their way into IO's Project Agreement with the successful bidder and can include improvements to: sustainable site development, water-use efficiency, energy efficiency, materials selection and indoor environmental quality. In the long-term, these requirements in the Project Agreement reduce overall expenses to the Province as costs decrease as a result of improved operating efficiencies.

LOAN PROGRAM RISK

Interest Rate Risk
Infrastructure Ontario's interest rate risk is considered to be low in relation to the income earning potential of the portfolios. Interest rate risk arises when the re-pricing of assets is not aligned with the re-pricing of liabilities. For example, in its lending portfolio, if Infrastructure Ontario lends for a 20-year term (assets) and the debt that Infrastructure Ontario issues to obtain the funds (liabilities) has a shorter term, it may have to issue the debt several times over the life of the asset. Each time the debt is rolled over or re-financed, there is a risk that interest rates will have risen, resulting in either lower net interest income or, if Infrastructure Ontario is lending at a rate below its borrowing cost, a greater net loss.

Management controls interest rate risk first through the natural alignment of asset and liability maturities and second by employing interest rate swap derivatives. For instance, management has virtually eliminated interest rate risk in its reserve fund by investing in short-term investments with terms that match the loans from the Province and the Ontario Clean Water Agency (OCWA). For the floating rate construction loan portfolio, interest rate risk has similarly been kept to a minimum by employing similar maturity short term funding in support of the these loans. Management of the interest rate risk on the long term fixed rate loans an the other hand is accomplished through a combination of the use of similar maturity funding and employing interest rate swap derivatives through the Ontario Financing Authority (OFA) as more exact matching of asset and liability maturities is not possible for these loans as it is with the reserve and construction loan portfolios.

Infrastructure Ontario's Asset-Liability Management Policy requires continuous monitoring and reporting of the interest rate risk position to Management and the Credit and Risk Management Committee of the Board of Directors. The Asset-Liability Management Policy provides Management with the tools to manage interest rate risk and the authority to instruct the Ontario Financing Authority Capital Markets' staff to execute financial transactions to manage interest rate risk, including the use of derivatives. Infrastructure Ontario manages to a strict interest rate risk limit which specifies the maximum expected loss under a presumed 100 basis point shift in interest rates and further limits the potential for loss exposure by minimizing exposures to any particular key rate point on the yield curve.

Liquidity Risk

Infrastructure Ontario's liquidity risk is also considered to be low. Infrastructure Ontario's lenders are protected by a substantial Reserve Fund, initially funded by long-term subordinated loans provided by the Province. The Reserve's funds are largely invested in short-term, liquid instruments that can be converted to cash in the event of any foreseeable liquidity crisis (for example, failure of an Infrastructure Ontario debt issue to close when expected, disruption to the short term commercial paper debt issuance program, or large unanticipated client cash requirements).

The primary objectives for the investment strategy are to maintain safety of the principal and provide flexibility and liquidity with respect to the reserve. The Asset Liability Management Policy establishes limits on the type and tenor as a percentage of total holdings of all investments and complies with the Financial Administration Act of the Province of Ontario.

Infrastructure Ontario's borrowing plan is approved by the Board of Directors. All borrowing is made with prudent consideration of interest rate risks and liquidity risks and complies with the Asset Liability Management Policy. The Ontario Financing Authority coordinates and executes all borrowing activities. Infrastructure Ontario expects to continue to issue short term Commercial Paper and to issue long term fixed rate debt in the form of Infrastructure Renewal Bonds largely to institutional investors through a banking syndicate as required by the growth of the Loan Program or to refinance maturing debt. A borrowing by-law is approved by the Minister of Finance every 18 months.

Credit Risk

The public sector nature of infrastructure Ontario's borrowers generates a low level of credit risk due to the unique ability of the borrowers to generate or receive revenue for essential public services or from low risk business models that serve the public sector interest. Credit risk is the primary concern of Infrastructure Ontario's Credit and Risk Management Committee of the Board of Directors.

The Credit Risk Policy ensures that the loan amounts are commensurate with both the borrower's ability to service debt, and Infrastructure Ontario's own risk tolerance. The Board approved Credit Risk Policy establishes principles for evaluating credit risk for each sector of borrowers and establishes maximum loan threshold limits for the risk and subsequent debt service capacity of the borrower. For instance, due diligence is conducted and a final scoring and maximum loan amount for each applicant is presented to Management for approval, and Board approval if necessary.

In December 2006, Infrastructure Ontario's Loan Program was expanded to include new types of borrowers, such as local hydro utilities, transit corporations, universities' federated and affiliated colleges, and not-for-profit long-term care service providers. In June of 2008 the Loan Program was further expanded to include public not-for-profit and co-operative social and affordable housing providers, local services boards, and not-for profit professional arts training institutions.

Some of the sectors that have become eligible for Infrastructure Ontario loans have different credit characteristics than Infrastructure Ontario's traditional municipal borrowers. Lending policies for each new sector of borrowers are approved before any loans are extended to new sectors in compliance with the standards set forth under the Credit Risk Policy. These policies include unique evaluative criteria, maximum loan thresholds, and maximum individual and sector exposure limits are created for each new sector of borrower.

OPERATIONAL RISK

In 2007, Deloitte and Touche LLP management consultants completed an enterprise risk assessment for Infrastructure Ontario. Overall, Infrastructure Ontario's operational risks (e.g. adequacy of financial systems/application, adequacy of policies and procedures, legal liability, and potential for fraud, error or manipulation) were assessed as having a moderate level of risk exposure.

The results of this assessment are being utilized to develop and implement an enterprise risk management framework. As a first step, Infrastructure Ontario retained the services of an internal auditor to develop a three-year risk based Internal Audit Plan that focused on a compliance based approach in the short term with a goal of evolving to a more strategic risk focused internal audit role .

In addition, Infrastructure Ontario has completed a comprehensive business continuity plan to deal with crises such as systems failures, loss of physical office space or extended power outages.

Infrastructure Ontario continues to review and improve operating policies and to minimize and mitigate operating risks. For example, insurance coverage has been expanded to include director and officers' liability and crime policies.

Responsibility for Financial Reporting

The accompanying consolidated financial statements of Infrastructure Ontario have been prepared in accordance with accounting principles for governments recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA) and, where applicable, the recommendations of the Accounting Standards Board (AcSB) of the CICA and are the responsibility of management.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The Board of Directors oversees management's responsibilities for financial reporting through the Audit Committee. The Audit Committee reviews the financial statements and recommends them to the Board for approval.

The financial statements have been audited by Hilborn Ellis Grant LLP. The Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's report outlines the scope of the Auditor's examination and opinion.

On behalf of management,

J. David Livingston
President & Chief Executive Officer

Bill Ralph
Senior Vice-President, Infrastructure Lending
& Chief Financial Officer

Financial Statements as at March 31, 2009

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Auditors' Report

Hilborn Ellis Grant LLP
Chartered Accountants

To the Directors of

Ontario Infrastructure Projects Corporation

We have audited the balance sheet of **Ontario Infrastructure Projects Corporation** as at March 31, 2009 and the statements of operations and accumulated deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Hilborn Ellis Grant LLP

Toronto, Ontario
May 28, 2009

Chartered Accountants
Licensed Public Accountants

Balance Sheet

As at March 31, 2009 *(in thousands of dollars)*

ASSETS	MARCH 31 2009	MARCH 31 2008
Current Assets		
Cash	$ 4,118	$ 3,997
Accounts receivable	29,578	14,447
Interest receivable	17,300	14,518
Current portion of debentures	91,693	64,431
Short-term investments *(Note 3)*	771,266	1,015,899
	$ 913,955	$ 1,113,292
Long-term Assets		
Loans receivable *(Note 4)*		
- construction advances	$ 314,701	$ 401,724
- debentures	1,334,489	990,319
- deferred cost on concessionary loans	(119,764)	(117,867)
Project receivables *(Note 5)*	91,657	55,305
Long-term investments *(Note 6)*	203,005	207,501
Debt issue costs *(Note 7)*	3,983	5,410
Deferred costs on hedging *(Note 1)*	6,883	808
Capital assets *(Note 8)*	4,553	3,745
	1,841,507	1,546,945
TOTAL ASSETS	$ $ 2,755,462	$ 2,660,237

LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	$ 15,481	$ 12,378
Interest payable	24,501	22,532
Commercial Paper *(Note 9)*	444,689	358,635
Ontario Opportunity Bonds *(Note 3)*	-	323,032
	$ 484,671	$ 716,577
Long-term Debt *(Note 10)*		
Infrastructure Renewal Bonds	$ $ 1,250,000	$ 950,000
Province of Ontario Loan	1,000,000	1,000,000
Ontario Clean Water Agency Loan	120,000	120,000
OFA Revolving Credit Loan	100,000	60,000
	$ 2,470,000	$ 2,130,000
Total Liabilities	2,954,671	2,846,577
Accumulated Deficit	(199,209)	(186,340)
TOTAL LIABILITIES & ACCUMULATED DEFICIT	$ 2,755,462	$ 2,660,237

Approved on behalf of the Board:

Director

Director

Statement of Operations & Accumulated Deficit

For the year ended March 31, 2009 *(in thousands of dollars)*

	MARCH 31, 2009	MARCH 31, 2008
Loan Program Revenue		
Investment interest	$ 28,874	$ 60,955
Loan interest	46,284	44,405
Amortization deferred concession costs	8,842	6,103
Grant from Ministry of Energy and Infrastructure	5,000	-
Other Revenue	50	65
	89,050	111,528
Loan Program Expense		
Province of Ontario loan interest	18,776	41,984
Infrastructure Renewal Bond interest	51,926	43,288
Ontario Opportunity Bond interest	1,404	14,072
Commercial Paper interest	10,136	13,989
Ontario Clean Water Agency loan interest	3,110	5,378
Concession costs	10,738	8,657
Salaries and benefits	2,465	1,927
Administration and general	3,364	2,847
	101,919	132,142
LOAN PROGRAM LOSS	$ (12,869)	$ (20,614)
Project Delivery Revenue	$ 69,739	$ 45,792
Project Delivery Expense		
OFA Revolving Credit Facility interest	3,422	1,862
Project advisory costs	46,710	27,947
Salaries and benefits	12,261	9,849
Administration and general	7,346	6,134
	69,739	45,792
PROJECT DELIVERY NET INCOME (LOSS)	$ -	$ -
Corporate Revenue		
Grant from Ministry of Energy and Infrastructure	$ 5,776	$ 5,672
Corporate Expense		
Salaries, benefits and operational costs	5,776	5,672
CORPORATE NET INCOME (LOSS)	$ -	$ -
Total Revenue	$ 164,565	$ 162,992
Total Expenses	177,434	183,606
Net Loss from operations	(12,869)	(20,614)
Accumulated Deficit, beginning of year	(186,340)	(165,726)
ACCUMULATED DEFICIT, END OF YEAR	$ (199,209)	$ (186,340)

Statement of Cash Flows

For the year ended March 31, 2009 *(in thousands of dollars)*

	MARCH 31, 2009	MARCH 31, 2008
OPERATING ACTIVITIES		
Net loss from operations	$ (12,869)	$ (20,614)
Items not requiring a current cash outlay:		
Concession costs	10,738	8,657
Amortization	(7,002)	(4,745)
	(9,133)	(16,702)
Changes in non-cash items:		
Increase in accounts and interest receivable	(17,913)	(8,394)
Increase (decrease) in accounts and interest payable and accrued liabilities	5,072	(2,909)
Increase in project receivables	(36,352)	(33,978)
Cash used in operating activities	(58,326)	(61,983)
FINANCING ACTIVITIES		
New debt issued	424,658	408,527
Net decrease (increase) in investments	243,018	(35,539)
Redemption of Ontario Opportunity Bonds	(323,032)	(252)
Cash from financing activities	344,644	372,736
INVESTING ACTIVITIES		
New loans issued	(366,109)	(373,063)
Loans receivable repayments	81,700	61,104
Acquisition of capital assets	(1,788)	(489)
Cash used in investing activities	(286,197)	(312,448)
Net increase (decrease) in cash	121	(1,695)
Cash, beginning of the year	3,997	5,692
CASH, END OF THE YEAR	$ 4,118	$ 3,997

Notes To Financial Statements

For the year ended March 31, 2009 *(tabular amounts in thousands of dollars)*

BACKGROUND

On November 7, 2005, the government established the Ontario Infrastructure Projects Corporation (Infrastructure Ontario) to implement Ontario's major infrastructure projects using alternative financing and procurement (AFP) methods.

On July 17, 2006 pursuant to the Ontario Infrastructure Projects Corporation Act, 2006 ("OIPC Act") Infrastructure Ontario and the Ontario Strategic Infrastructure Financing Authority (OSIFA) were amalgamated and continued as a corporation without share capital under the name of Ontario Infrastructure Projects Corporation.

Infrastructure Ontario is a Crown agency and reports to the Minister of Energy and Infrastructure.

Pursuant to the OIPC Act, the objects of Infrastructure Ontario include the following:

- To provide financing for municipalities, universities and other public bodies in the Province of Ontario as may be specified by regulation.
- To obtain funding to finance its activities.
- To provide on a cost effective and timely manner, project and contract management of large complex infrastructure projects in the province of Ontario assigned to the corporation by the Minister.
- Where requested by the Minister, provide financial and execution advice in respect of assets or interests of the Government and implement or assist in the implementation of transactions in respect of such assets or interests.
- To undertake any additional objects as directed by the Lieutenant Governor in Council.

As a Crown corporation, Infrastructure Ontario is exempt from federal and provincial income taxes under paragraph 149(1)(d) of the Income Tax Act of Canada. Infrastructure Ontario has been added to Schedule A of the Canada Ontario Reciprocal Taxation Agreement and is exempt from the Goods and Services Tax.

1 SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

These financial statements are prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) as recommended in the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants (CICA) and, where applicable, the recommendations of the Accounting Standards Board (AcSB) of the CICA.

Management Estimates

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from these estimates.

Key areas where management has made estimates are in the deferred costs on concessionary loans. Actual results could differ from these and other estimates, the impact of which would be recorded in future periods.

Revenue Recognition
Infrastructure Ontario receives grant revenue from the Ministry of Energy and Infrastructure (MEI) in relation to in-year corporate expenses. The grant is recorded as unearned revenue until the corporate expenses have been incurred. Once incurred, the grant is recognized as revenue.

Costs incurred by Infrastructure Ontario on long term projects are fully recoverable. Project delivery revenue is recognized as the recoverable project costs are incurred.

Interest on investments and loans receivable are recognized using the effective interest rate method.

Loans Receivable
Loans receivable are stated at their estimated net realizable value. Loans with concessionary terms are discounted using Infrastructure Ontario's cost of borrowing to determine the present value of the loan. The difference between the face value of the loan and its present value is, in substance, a grant. Only the 2003-04 program loans were issued with concessionary terms.

Loans with concessionary terms are recorded at face value discounted by the amount of the grant portion. The grant portion is recognized as a concession cost at the date of issuance of the loan and amortized to match the underlying interest subsidy, over the term of the loan.

Hedge Accounting
Infrastructure Ontario is exposed to interest rate fluctuations during the period between the issuance of Infrastructure Renewal Bonds and initiating debentures with municipalities. To manage this interest rate risk, Infrastructure Ontario utilizes financial instruments with similar characteristics to hedge against the debt. Infrastructure Ontario has formally documented its risk management objective and strategy, including relationships between the hedging instrument and the hedged item, for undertaking these various hedging transactions.

The hedging instruments are classified under long-term investments. Gains and losses resulting from hedging activities are deferred and amortized to operations on a straight line basis over the term of the underlying debt, which matures June 3, 2013, June 1, 2015 and June 1, 2037.

Infrastructure Ontario has chosen not to adopt hedge accounting for its interest rate swaps as described in note 2.

Short-term Investments
Short-term investments include money market securities and bonds with maturities of less than twelve months. Short-term investments are recorded at cost, which approximates market.

Debt Issue Costs
Debt issue costs were incurred on the sale of Ontario Opportunity Bonds and Infrastructure Renewal Bonds. These costs are being amortized on a straight line basis over the life of the bond issues.

Capital Assets
Capital assets are stated at cost less accumulated amortization. Amortization is provided using the straight-line method over the estimated useful life of the assets beginning in the fiscal year of acquisition, with a half-year provision in the year of acquisition and half-year in the year of disposal. The estimated useful lives of the assets are as follows: computer equipment 3 years, furniture and fixtures 10 years and leasehold improvements 10 years.

2 RISK MANAGEMENT AND DERIVATIVE FINANCIAL INSTRUMENTS

Infrastructure Ontario employs various risk management strategies and operates within strict risk exposure limits to ensure exposure to risk is managed in a prudent and cost effective manner. A variety of strategies are used, including the use of derivative financial instruments ("derivatives"). Infrastructure Ontario does not use derivatives for speculative purposes.

Derivatives are financial contracts, the value of which is derived from underlying instruments. Infrastructure Ontario, being both a borrower and a lender, uses derivatives to create cash flow hedges for instruments with differing maturity dates. The hedges are created through interest rate swaps, which are legal contracts under which Infrastructure Ontario agrees with another party to exchange cash flows based on one or more notional amounts using stipulated reference interest rates for a specified period. Swaps allow Infrastructure Ontario to offset its existing loan receivables and debt obligations and thereby effectively convert them into instruments with more desirable characteristics. Infrastructure Ontario has swapped certain of its fixed rate loan receivables and fixed rate debt portfolio into floating rate instruments. Swap interest charges are netted against Loan Program revenue.

All swap transactions have been completed with the Ontario Financing Authority ("OFA") as the contracting party. The OFA has the option at certain dates within the swap period to reset an individual swap and a cash settlement or receipt may result, however the resetting does not affect the effectiveness of the swap transaction. The OFA, as intermediary, has entered into concurrent contracts with third party financial institutions under the same terms and bears the credit risk of the swap transactions.

The table below presents a maturity schedule of Infrastructure Ontario's derivatives, outstanding as at March 31, 2009, based on the notional amounts of the contracts. The notional amounts of interest rate swaps represent the amount to which the fixed and floating rates are applied in order to calculate the exchange of cash flows. The notional amounts are not recorded in the Balance Sheet. They represent the volume of outstanding derivative contracts and are not indicative of credit risk, market risk or actual cash flows of such instruments.

Maturity in fiscal year	Within 1 Year	2 to 5 years	6 to 10 years	11 to 15 years	Over 15 years	Total
Debt	$ -	$ 144,988	$ 675,946	$ -	$ 219,738	$ 1,040,672
Loans Receivable	$ 81,918	$ 335,006	$ 373,835	$ 280,073	$ 232,364	$ 1,303,196

3 SHORT-TERM INVESTMENTS

Short-term investments of $771 million (2008 - $1,016 million) include money market investments with maturities of less than 12 months, recorded at cost. As at March 31, 2009 the interest rates on these investments ranged from 0.4% to 0.6%. A portion of these investments were liquidated during the first quarter to redeem the Ontario Opportunity Bonds, which matured on May 6, 2008.

4 LOANS RECEIVABLE

Infrastructure Ontario assumed the 'concessionary' loan program for municipalities and the 'infrastructure renewal' loan program that operates on a cost pass-through basis, on the date of amalgamation with OSIFA.

As of March 31, 2009, construction advances of $315 million are receivable from municipalities, universities, and other public bodies. The interest rate on these construction loans, is one half of the average of Prime and 30 day Bankers' Acceptances on the concessionary program and 30 day Bankers' Acceptances plus ten basis points on the infrastructure renewal program.

The amount of $1,426 million in debentures receivable is due from municipalities, universities and other public bodies, with terms ranging from 5 to 40 years.

	2009		2008	
CONSTRUCTION ADVANCES				
Concessionary loan program	$ 10,068		$ 161,719	
Infrastructure renewal loan program	304,633		240,005	
	$ 314,701		$ 401,724	
DEBENTURES		Interest %		Interest %
Concessionary loan program				
Maturity within 5 years	$ 1,553	1.87 - 2.31	$ 1,761	1.87 - 2.31
6 to 10 years	186,412	2.06 - 2.71	148,796	2.06 - 2.69
11 to 15 years	66,303	2.28 - 2.67	60,181	2.28 - 2.67
16 to 20 years	407,144	2.36 - 2.95	300,364	2.36 - 2.95
Greater than 20 years	77,175	2.52 - 3.05	71,735	2.52 - 3.05
	738,587		582,837	
INFRASTRUCTURE RENEWAL LOAN PROGRAM				
Maturity within 5 years	16,135	3.15 - 5.07	2,382	3.94 - 5.07
6 to 10 years	123,543	4.00 - 5.20	55,501	4.04 -5.19
11 to 15 years	50,203	4.47 - 5.26	36,332	4.57 - 5.26
16 to 20 years	338,322	4.54 - 5.89	300,686	4.54 - 5.27
Greater than 20 years	159,392	4.78 - 5.91	77,012	4.78 - 5.34
	687,595		471,913	
Total debentures	1,426,182		1,054,750	
Less: portion due within one year	91,693		64,431	
Long-term portion of debentures	$1,334,489		$ 990,319	

4 LOANS RECEIVABLE (CONTINUED)

Deferred Costs on Concessionary Loans	2009	2008
Deferred costs on concessionary loans, beginning of year	$ 117,867	$ 115,313
Concession costs current year	10,738	8,657
Amortization concession costs	(8,841)	(6,103)
Deferred costs on concessionary loans, end of year	**$ 119,764**	**$ 117,867**

The organization has no significant credit risk with the current loan portfolio. In case of default for all loans to municipalities, universities and certain public bodies, the Province of Ontario is obligated to redirect funds owing to a Borrower, to pay Infrastructure Ontario. This is done through an intercept mechanism, which is a condition of all loans. Certain loans to public bodies are subject to restrictive covenants on assets and the borrower may be required to provide a general security agreement. Management actively reviews the credit performance of each Borrower and has determined no provision is required at year end.

5 PROJECT RECEIVABLES

Infrastructure Ontario incurs project expenses and recognizes related project recoveries in the year the expense occurs. As at March 31, 2009, $92 million (2008 - $55 million) of these project expenses have yet to be recovered. Certain project recoveries, including interest costs to finance the receivables, will not be billed until the completion of the project. Project receivables are due from various Ontario Ministries.

6 LONG-TERM INVESTMENTS

Long-term investments consist of $203 million (2008 - $208 million) of bonds utilized as hedging instruments as described in Note 1, which are carried at cost.

7 DEBT ISSUE COSTS

	Cost	Accumulated Amortization	Net 2009	Net 2008
Infrastructure Renewal Bonds	$ 8,604	$ 2,621	$ 5,983	$ 5,378
Ontario Opportunity Bonds	1,689	1,689	-	32
Total	$ 10,293	$ 4,310	$ 5,983	$ 5,410

8 CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2009	Net 2008
Computer equipment	$ 2,634	$ 1,483	$ 1,151	$ 784
Furniture and fixtures	911	251	660	743
Leasehold improvements	3,510	768	2,742	2,218
Total	**$ 7,055**	**$ 2,502**	**$ 4,553**	**$ 3,745**

9 COMMERCIAL PAPER

Infrastructure Ontario issues notes under a commercial paper program. The funds are used for short-term funding requirements including cash management, financing assets and general operating requirements. The program is authorized to issue a maximum of $500 million for terms of up to one year. During the year, interest on the notes ranged from 0.5% to 3.5% and as of March 31, 2009, maturities ranged from April 2009 to June 2009.

10 LONG TERM DEBT

Infrastructure Renewal Bonds
Infrastructure Ontario assumed $650 million of Infrastructure Renewal Bonds, on the date of amalgamation with OSIFA. The bonds bear interest at 4.60% per annum and mature on June 1, 2015. Interest is paid semi-annually on June 1st and December 1st until maturity.

On April 19, 2007, Infrastructure Ontario issued $300 million of Infrastructure Renewal Bonds. The bonds bear interest at 4.70% per annum and mature on June 1, 2037. Interest is paid semi-annually on June 1st and December 1st until maturity.

On August 26, 2008, Infrastructure Ontario issued $300 million of Infrastructure Renewal Bonds. The bonds bear interest at 3.95% per annum and mature on June 3, 2013. Interest is paid semi-annually on June 3rd and December 3rd until maturity.

Ontario Clean Water Agency Loan and Province of Ontario Loan
The Province of Ontario has provided Infrastructure Ontario with a fifty-year subordinated loan of $1 billion in exchange for a promissory note which matures on March 31, 2053. The interest on the note is reset quarterly at the Province's three-month treasury bill rate and payable quarterly.

The Ontario Clean Water Agency (OCWA), an agency of the Province of Ontario, has provided a twenty-year subordinated loan of $120 million to Infrastructure Ontario in exchange for a promissory note which matures on March 1, 2023. The interest on the note is reset monthly, with the interest rate set at four basis points below the average one month Canadian Dollar Offered Rate, payable quarterly.

10 LONG TERM DEBT (CONTINUED)

The above loans provide: (i) credit protection to investors in unsubordinated debt such as Infrastructure Renewal Bonds and Commercial Paper (ii) a liquidity backstop for Infrastructure Ontario's financing needs; and (iii) a stable long-term capital base that enables Infrastructure Ontario to achieve a high credit rating.

OFA Revolving Credit Facility

The Ontario Financing Authority (OFA), an agency of the Province of Ontario has provided Infrastructure Ontario with a subordinated revolving credit facility of up to $200 million to provide working capital for AFP projects. Advances are to be repaid upon completion of individual AFP projects. The credit facility must be repaid in full by June 23, 2016. As at March 31, 2009, Infrastructure Ontario has utilized $100 million (2008 - $60 million) on this line of credit, with interest at the Province's cost of funds for borrowings with a similar term. Interest charges range from 2.4% to 5.0%, with maturities from November 2009 to March 2012

11 RELATED PARTY TRANSACTIONS

In addition to the loans from OFA, OCWA and the Province of Ontario, Infrastructure Ontario receives a grant from MEI to cover the current operating costs shortfall on the Loan Program and corporate expenses. In 2009, the total grant was $10.8 million (2008 - $5.7 million).

Project costs and recoveries are also undertaken with various Ontario Ministries, such as the Ministry of Health and Long Term Care, the Ministry of the Attorney General, the Ministry of Children and Youth Services, the Ministry of Government Services, the Ministry of Community Safety and Correctional Services and the Ministry of Transportation.

Infrastructure Ontario has also incurred costs for services of the OFA of $1.2 million (2008 - $1.2 million).

12 FUTURE EMPLOYEE BENEFITS

The organization provides pension benefits to certain of its full-time employees through participation in the Public Service Pension Plan, which is a multi employer defined benefit plan established by the Province of Ontario. The cost of the pension plan of $198 thousand (2008 - $198 thousand) is based on formulas set by the Ontario Pension Board. In addition, for these employees the cost of post-retirement, non-pension employee benefits is paid by Management Board Secretariat and is not included in the financial statements.

The organization, beginning in September 2007, provides a defined contribution pension plan for all other full-time employees. The organization contributes 5% of the employee's base salary and up to an additional 2.5% of the employee's base salary as a matching contribution to amounts paid to the plan by the employee. The cost of this plan in the year was $794 thousand (2008 - $329 thousand).

13 FINANCIAL INSTRUMENTS

The carrying amounts for cash, accounts receivable, short-term investments, accounts payable and accrued liabilities and interest payable approximate their fair values because of the short-term maturity of these instruments.

The organization earns interest on loan receivables, short and long-term investments and pays interest on short and long-term debt. To the extent that these financial instruments mature or reprice at different points in time, the organization is exposed to interest rate risk. Management actively manages the maturities of these financial assets and liabilities to mitigate this risk including utilizing interest rate swap arrangements as detailed in note 2.

14 CONTINGENCIES

Infrastructure Ontario, in the ordinary course and conduct of its business, may be exposed to various legal proceedings. At March 31, 2009, Infrastructure Ontario was not aware of any such proceedings in process.

15 COMMITMENTS

On August 18, 2003, the Minister of Finance announced that 88 municipalities would be eligible for up to $1 billion in low-interest loans to strengthen local communities.

Approved	Issued
$ 922 million	**$ 880 million**

On December 20, 2004, the Minister of Finance announced that 109 municipalities would be eligible for up to $1.2 billion as part of Infrastructure Ontario's 2004-05 infrastructure renewal loan program.

Approved	Issued
$ 553 million	**$ 443 million**

On February 10, 2006, the Minister of Energy and Infrastructure announced that the infrastructure renewal loan program would now be open for applications from all municipalities on a continuous basis. The Loan Program was also expanded to help Ontario universities and other public bodies.

Program Year	Approved	Issued
2005-2006	$ 384 million	$ 211 million
2006-2007	48 million	33 million
2007-2008	496 million	309 million
2008-2009	260 million	104 million
	$ 1,188 million	**$ 657 million**

Notes To Financial Statements

For the year ended March 31, 2009 *(tabular amounts in thousands of dollars)*

16 ECONOMIC DEPENDENCE

Infrastructure Ontario is dependent on the Province of Ontario for the provision of funds to cover operating costs, finance project costs until recovery and to support the concessionary loans provided to municipalities. Based on the Province's support in providing a multi-year commitment for public infrastructure projects and providing a fifty-year loan, Infrastructure Ontario is considered a going concern.

17 COMPARATIVE FIGURES

The comparative figures have been restated to reflect the current presentation.

"There is a direct economic link between investment in public infrastructure and the economy as a whole. Investing in public infrastructure is a key ingredient to a successful economy. The government is addressing the infrastructure deficit in a way that shifts risks away from the public sector and also maintains the high quality of public services."

Derek Burleton
Associate Vice President &
Director of Economic Studies
TD Financial Group

Ontario
Infrastructure Ontario

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